EMADLANGENI LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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GENERAL INFORMATION

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government

Executive committee

Mayor	Cllr. L.Y. Mhlungu
Deputy Mayor	Cllr. N. Ndlovu
Member	Cllr.H.M Mthethwa

Councillors

Member	Cllr. Z.H. Madi(Speaker)
Member	Cllr. V.C Ndlovu (MPAC Chairperson)
Member	Cllr.M.J. Mthethwa
Member	Cllr. F. Mlambo
Member	Cllr.F.G.S Smook
Member	Cllr.M.J. Mthethwa
Member	Cllr. M.M. Booysens
Member	Cllr. N.A Madida
Member	Cllr. T.S. Buthelezi

Grading of local authority	Grade 1
Accounting Officer	Mr. L.C.T. Nkosi
Chief Finance Officer (CFO)	Miss S. Mhlophe
Auditors	The Auditor–General of South Africa Private Bag X9034 PIETERMARITZBURG 3200
Attorneys	Shepstone and Wylie
Bankers	Standard Bank
Registered office:	34 Voor Street Utrecht 2980
Postal address:	P.O. Box 11 Utrecht 2980
Telephone Number:	034 - 331 3041
Fax Number:	031 - 331 4312

EMADLANGENI LOCAL MUNICIPALITY
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITY AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting and is responsible for the content and integrity of the annual financial statement and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statement fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with South African Statement of General Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective mannner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These control are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances are above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

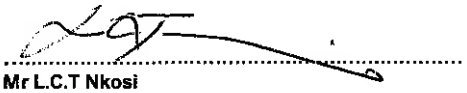
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 JUNE 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, the accounting officer is supported by the municipality's audit committee, internal and external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's finncial statements. The financial statements were examined by the municpality's external auditors and their report is presented separately.

The annual financial statements set out on page 5 to 53 which have been prepared on the going concern basis, were approved by accounting officer.



Mr L.C.T Nkosi
Municipal Manager

31 AUGUST 2019

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) , including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act(Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues, and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated. The details of any changes in accounting policies are explained in relevant policy.

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3.These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Recognised Accounting Practices including any interpretations of such Statements issued by the Accounting Practices Board.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and the figures are rounded off to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATING UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.4.1 TRADE AND OTHER RECEIVABLES/LOANS RECEIVABLES

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.4.2 PROVISIONS

Provisions were raised and management determined as estimate based on the information available. Additional; disclosure of these estimates pf provisions are included in note 18 - Provisions.

1.4.3 ALLOWANCES FOR IMPAIRMENT

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4.3 IMPAIRMENT TESTING

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.4.4 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECT

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard interpretation	Effective Date	Impact
GRAP 34 - Separate Financial Statements	on or after 1 April 2019	No impact is anticipated
GRAP 35 - Consolidated Financial Statements	on or after 1 April 2019	No impact is anticipated
GRAP 36 - Investments in Associates and Joint Ventures	on or after 1 April 2019	No impact is anticipated
GRAP 37 - Joints Arrangements	on or after 1 April 2019	No impact is anticipated
GRAP 38 - Disclosure of Interests in Other Entities	on or after 1 April 2019	No impact is anticipated
GRAP 104 - Financial Instruments	on or after 1 April 2019	No impact is anticipated
GRAP 110 - Living and Non Living Resources	on or after 1 April 2019	No impact is anticipated

The municipality expects to adopt the standard for the first time when the Minister sets effective date for the standards

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1.6.1 INITIAL RECOGNITION

The cost of an items of property, plant and equipment are recognised as assets when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the cost thereof can be measured reliably.

On acquisition date assets are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.3 DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Land	Indefinite
Buildings	10-30 years
Plant and machinery	2-10 years
Furniture and office equipment	2-7 years
Motor vehicles	2-8 years
Computer equipment	2-8 years
Community Assets	2-45 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting

1.6.4 IMPAIRMENT OF ASSETS

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7.4.1 NON- CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
> To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exists or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

1.6.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rental to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sale of these assets are recognised as revenue. All cashflows on these assets are included in cash flows from operating activities in the cashflow statement.

1.6.6 ASSETS UNDER CONSTRUCTION

The cost of property, plant and equipment under construction as of the reporting is recognised as an asset if:

- it is probable that the future economic benefits or service potential associated with the item(s)will flow to the municipality.
- the cost or fair value of the item(s) can be measured reliably.

Assets under construction consist of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. The expenditure comprise of direct labour, materials and overheads, if appropriate. When assets under construction is completed and certificates of completion issued, they are transferred to the appropriate asset class.

Assets under construction are not depreciated as they are not in a condition necessary for it to be capable of operating in a manner intended by management.

1.6.7 SITE RESTORATION AND DISMANTLING COST

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred as decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

In the event that the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of an asset, the excess is recognised immediately I surplus or deficit, and ;
(c) if the adjustment results in a addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on a impairment of cash-generating assets and/or impairment of non - cash generating assets.

1.7 INTANGIBLE ASSETS

1.7.1 INITIAL RECOGNITION

An Intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

1.7.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost and impairments. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.7.3 AMORTISATION AND IMPAIRMENT

The municipality tests intangible assets for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.7.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 INVESTMENT PROPERTY

1.8.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is approved to write down the cost, less estimated residual value over the useful life of he property, which is as follows:

ITEM	USEFUL LIFE
Land	Indefinite
Buildings	2-75 years

Compensation from 3rd parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality discloses relevant information relating to assets under construction or development, in notes to the financial statements.

1.9 HERITAGE ASSETS

Assets are resources controlled by municipality as a result of past events ad from which future economic benefits or service potential are expected to flow to the municipality

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in n arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance ad are held indefinitely for the benefit of present and future generations.

An impairment loss of a non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Value in use of non-cash generating asset is the present value of the assets remaining service potential.

1.9.1 RECOGNITION

The municipality recognises a heritage asset as an asset it if is probable that future economical benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.9.2 INITIAL MEASUREMENT

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of the acquisition.

1.9.3 SUBSEQUENT MEASUREMENT

After recognition heritage assets are carried at cost less accumulated impairment.

1.9.4 IMPAIRMENT

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.9.5 TRANSFERS

Transfers from the heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.
Transfers to heritage asset are only made when assets meets the definition of a heritage asset.

1.9.6 DERECOGNITION

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use.

The gain or loss arising from the derecognition of a heritage asset is included in surplus r deficit when the item is derecognised.

1.10 DIRECTIVE 7 - DEEMED COST

Use of deemed cost for property, plant and equipment, investment property, intangible assets and heritage assets

When an entity initially recognises an asset using the Standards of GRAP, it measures such assets using either cost or fair value at the date of acquisition (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP, acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

An entity may have determined a deemed cost for an asset under another basis of accounting where information about the acquisition cost of the asset was unavailable. A deemed cost determined for an asset under another basis of accounting is acceptable for purposes of this Directive if it represents the fair value of the asset as or its cost or depreciated historical cost.

The eMadlangeni Municipality did not apply Directive 7 for Property, Plant & Equipment identified after the adoption of GRAP. These assets were identified in the current financial year and a correction of error is to be applied retrospectively
a description of whether deemed cost was determined:
(I) using fair value or depreciated replacement cost for items of property, plant and equipment and investment properties; and

1.11 FINANCIAL INSTRUMENTS

1.11.1 CLASSIFICATION

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities
- Cash and cash equivalents

Classification depends on the purpose for which the financial instruments were obtained and takes place at initial recognition.

The municipality has the following types of financial assets as reflected on the face of the statement of financial position:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Financial asset	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Long term loan	Financial liability measured at amortised cost

1.11.2 INITIAL RECOGNITION

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instrument.

1.11.3 SUBSEQUENT MEASUREMENT

The municipality measures all financial instruments after initial recognition at amortised cost and subject to impairment review.

1.12 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a ease includes both land and buildings elements, the entity assess the classification of each element separately.

1.12.1 OPERATING LEASES - LESSOR

Operating lease revenue is recognised as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of the rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.12.2 OPERATING LEASES - LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

1.13 EMPLOYEE BENEFITS

Employee benefits re all forms of consideration given by the municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the municipality, if the proceeds of the policy can be only to pay or fund employee benefits under a defined benefit plan and are not available to the municipality's one creditors (even in liquidation) and cannot be paid to the municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations, or;
- the proceeds are returned to the municipality to reimburse it from employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefit that are not conditional on future payments.

Composite social security programmes are established by legislation and operate as a multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to their parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.13.1 Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits)that are dues to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee-benefits includes items such as :
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- non-monetary benefits (for example, medical care and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service;
- as a liability (accrued expense) after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (pre-paid expense) to the extent that the prepayment will lead to, for example a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in case of non-accumulating absences, when absences occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

1.13.2 Post-employment benefits

Post-employment benefits are employee benefits (Other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than estate plans and compose social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13.3 Multi-employer plans and/or state plans and /or composite social security programmes

The municipality classifies a multi-employer plan and /or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms)

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defied benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

1.13.4 Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefits plans other that defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actualiy occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value as a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods resulting in the current period from the introduction of or, changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or a negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan asses, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of a plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount recognised as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine as a defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset;
- current service cost;
- interest cost;
- the expected return on any plan assets and on any re-imbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognise gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises;
- any resulting change in the present value of the defined obligation; and
- any resulting change in the fair value of the plan assets.

1.13.5 Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency ad term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13.6 Other post retirement obligations

The municipality provides post-retirement health care benefits to some retirees.

The amount recognised as a liability for the long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date.
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset
- current cost
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- effect of ay curtailments or settlements.

1.14 PROVISIONS

Provisions are recognised when;
- the municipality has a present or constructive obligation as a result of past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the provision can be made.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceeds the amount of he provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if its is no longer probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met;
- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employments contracts or social benefit commitments are excluded.

1.16 REVENUE

1.16.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflow result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transactions is one in which the municipality receives assets or services, or has a liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.16.2 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.16.2.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.16.2.2 Rendering of services

When the outcome of a transaction involving the rendering of services can be stated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction ate the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

1.16.2.3 Interest, royalties and dividends

Revenue arising from the use by others of entity's assets yielding interest, royalties and dividends or similar distribution is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured rellabiy.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16.3 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represent an increase in net assets, other than increases relating to contribution from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body, as a consequence of breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used but do not specify that future economic benefits or service potentials required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

1.16.3.1 Recognition

An inflow of resources from non-exchange transaction is recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.16.3.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also recognised a inability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16.3.3 Transfers

Apart from service in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.16.3.4 Fines

Fines are recognised as revenue when the receivable meets the definition ad satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.16.3.5 Gifts and donations, including goods In-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16.3.6 Services In-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind re not significant to the municipality's operations and/or service delivery objective and/or do not satisfy the criteria for recognition, the municipality disclose the nature type of services in-kind received during the reporting period.

1.17 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, or in accordance with the purpose of the main division

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-
(a) this Act; or
(b) any provincial legislation providing for procurement procedure in that provincial government.

Irregular expenditure that was incurred ad identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. the irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related there to must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the forms of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 1/07/2018 to 30/06/2019.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.23 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not in arms' length or not in the ordinary course of business are disclosed.

1.24 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date); and

(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 GRATUITIES

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.26 OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

EMADLANGENI LOCAL MUNICIPALITY

(Registration number KZN253)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Figures in Rand	Note(s)	2 019	Re-stated 2018
Assets			
Current assets			
Trade and Receivable from exchange transactions	8	7 591 371	10 690 924
Trade and Receivable from non exchange transactions	9	17 553 218	13 523 832
VAT Receivables	10	6 871 446	5 167 167
Financial Asset	11	374 786	348 072
Cash and cash equivalents	3	14 462 423	7 538 349
		46 853 245	37 268 344
Non-current assets			
Investment property	4	16 701 299	17 195 581
Property, plant and equipment	5	162 256 685	161 722 975
Intangible assets	6	1 542 951	1 542 951
Heritage assets	7	1 190 580	1 190 580
		181 691 515	181 652 087
Total assets		228 544 759	218 920 431
Liabilities			
Current liabilities			
Payables from exchange transactions	12	14 408 248	15 957 136
Payables from non-exchange transactions	13	386 296	397 066
Consumer deposits	14	166 890	165 705
Current portion of provisions - employee benefits	15	340 269	257 000
Unspent Conditional Grants	16	1 142 481	669 048
Current portion of long term loan	17	84 876	76 523
		16 529 059	17 522 479
Non- Current Liabilities			
Non-Current Provisions - Employee Benefits	15	2 502 336	2 473 349
Non-current portion - Long term loan	17	589 451	674 328
Provisions	18	20 523 835	19 536 595
		23 615 622	22 684 272
Total liabilities		40 144 681	40 206 751
Net assets		188 400 078	178 713 681
Accumulated surplus		188 400 078	178 713 681
Total net assets		188 400 078	178 713 681

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

Figures in Rand	Note(s)	2 019	Re-stated 2018
Revenue			
Revenue from non-exchange transactions			
Fines, penalties and forfeits		406 722	303 585
Interest on late payments - property rates		2 457 568	2 150 528
Property rates	20	19 962 860	15 180 103
Transfers and subsidies	21	46 583 999	48 719 967
Revenue from non-exchange transactions	19	**69 411 148**	**66 354 183**
Revenue from exchange transactions			
Service charges	22	14 444 107	13 961 297
Rental of facilities and equipment	23	1 163 721	1 050 072
Licences and permits	24	1 072 710	855 882
Sale of goods and rendering of services	25	429 489	427 645
Interest received - investment	26	1 201 428	1 141 783
Operational revenue	27	124 571	488 330
Revenue from exchange transactions		**18 436 027**	**17 925 010**
Total Revenue (A)	19	**87 847 175**	**84 279 193**
Expenditure (classified by nature)			
Employee related costs	28	31 508 872	32 484 683
Councillor remunerations	29	3 568 243	3 185 252
Depreciation	30	10 250 036	9 486 186
Finance Charges		2 163	3 309
Contracted Services	31	8 297 447	7 284 161
Inventory consumed	32	2 034 564	1 147 681
Operating leases	34	85 166	22 462
Operational expenses	33	10 172 645	4 442 940
Bulk purchases		12 422 704	11 501 147
Total Expenditure (B)		**78 341 840**	**69 557 820**
Operational surplus		**9 505 335**	**14 721 373**
Discontinued operation		(2 138 572)	(46 165)
Surplus/(Deficit) for the year (A-B)		**7 366 763**	**14 675 208**

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

Figures in Rand	Accumulated surplus	Total net assets
Balance 30 June 2017	**153 906 789**	**153 906 789**
Correction of prior year error	2 794 285	2 794 285
Restated balance 1 July 2017	**156 701 074**	**156 701 074**
Surplus for the period	14 675 208	14 675 208
Correction of prior year error	7 337 399	7 337 399
Balance 30 June 2018	**178 713 681**	**178 713 681**
Correction of prior year error	2 319 634	2 319 634
Surplus for the period	7 366 763	7 366 763
Balance 30 June 2019	**188 400 078**	**188 400 078**

EMADLANGENI LOCAL MUNICIPALITY

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

Figures in Rand	Note(s)	2019	2018
Cash flow from operating activities			
Receipts			
Sale of goods and services		21 185 000	23 292 471
Transfers and subsidies		47 057 000	48 485 000
Interest Receipts		1 201 428	1 141 783
Other receipts		9 426 497	488 330
		78 869 925	**73 407 584**
Payments			
Employee related costs and councillors remuneration		(34 994 784)	(35 168 764)
Suppliers		(27 492 885)	(26 217 533)
Interest paid		(2 163)	(3 309)
		(62 489 833)	**(61 389 606)**
Net cash flow from operating activities	35.	16 380 091	12 017 978
Cash flows from investing activities			
Purchase of property, plant and equipment		(9 379 494)	(19 312 356)
Purchase of intangible assets		-	-
Purchase of financial assets		-	-
Net cash flow from investing activities		(9 379 494)	(19 312 356)
Cash flows from financing activities			
Movement long term loan	17	(76 523)	5 005
Net increase/decrease in cash and cash equivalents		6 924 074	(7 289 373)
Cash and cash equivalents beginning of year		7 538 349	14 827 722
Cash and cash equivalents end of year	3	**14 462 423**	**7 538 349**

ADLANGENI LOCAL MUNICIPALITY
gistration number KZN253)
NUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

tement of Comparison of Budget and Actual Amounts

ures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final Budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	
es, penalties and forfeits	190 310	250 000	440 310	-	-	406 722		33 588	-8%	
perty rates	21 460 333	4 257 802	25 718 134	-	-	22 420 428		3 297 706	-13%	This is attributed by inability of cusomer to build property as they entered in the agreement to purchase the land.
nsfers and subsidies	46 615 000	492 000	47 107 000	-	-	46 583 999		523 001	-1%	
vice charges	18 105 503	(1 374 541)	16 730 962	-	-	14 444 107		2 286 854	-14%	
ntal of facilities and equipment	854 927	(100 900)	754 027			1 163 721		(409 694)	54%	This is caused by increase in bookings at the game park.
ences and permits	538 303	412 771	951 074			1 072 710		(121 636)	13%	This is caused by increase in volume of bookings, which had a positive impact on revenue.
ier revenue	1 408 879	689 369	2 098 249			554 060		1 544 189	-74%	This was caused by inadequate monitoring of other service generating income
erest received - investment	1 420 246	253 559	1 673 805			1 201 428		472 377	-28%	This is caused by higher spending of grants which decrese investments.
tal Revenue (including capital nsfers and conrtibutions)	**90 593 502**	**4 880 060**	**95 473 561**	**-**	**-**	**87 847 175**	**-**	**7 626 386**		
ployee related costs	30 077 260	181 479	30 258 738	-	-	31 508 872		(1 250 133)	4%	
uncillor remunerations	3 688 552	(61 746)	3 626 806	-	-	3 568 243		58 564	-2%	
preciation	8 279 951	438 837	8 718 788	-	-	10 250 036		(1 531 247)	18%	This was caused by under-budgeting.
ance Charges	83 069	-	83 069	-	-	106 213		(23 144)	28%	This was caused by under-budgeting.
ntracted Services	3 027 135	528 000	3 555 135	-	-	8 297 447		(4 742 312)	133%	This was caused by under-budgeting.
ier expenditure	16 835 690	1 709 147	18 544 837			14 076 411		4 468 425	-24%	This was caused by over-budgeting.
k purchases	10 911 468	1 650 044	12 561 511			12 422 704		138 807	-1%	
bt impairment	1 543 378	81 799	1 625 177			250 487		1 374 690	-85%	
tal expenditure	**74 446 502**	**4 527 560**	**78 974 061**	**-**	**-**	**80 480 412**	**-**	**(1 506 351)**		
rplus/(Deficit)	**16 147 000**	**352 500**	**16 499 500**	**-**	**-**	**7 366 763**	**-**	**9 132 737**		

ADLANGENI LOCAL MUNICIPALITY
gistration number KZN253)
NUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

tement of Comparison of Budget and Actual Amounts - Statement of Financial Position

ures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Final Budget	Actual outcome	Variance	Actual outcome as % of final budget	
rrent assets	**14 930 000**	**1 355 000**	**16 285 000**	**-**	**-**	**16 285 000**	**46 853 245**	**30 568 245**	**65.24%**	This was caused by higher spending on grants which decreases investments.
ade and Receivable from exchange nsactions	19 856 000	(17 009 000)	2 847 000	-	-	2 847 000	7 591 371			
ade and Receivable from non exchange nsactions	(11 194 000)	17 094 000	5 900 000	-	-	5 900 000	17 553 218			
\T Receivables	-	-	-	-	-	-	6 871 446			
ancial Asset	348 000	(348 000)	-	-	-	-	374 786			
sh and cash equivalents	5 920 000	1 618 000	7 538 000			7 538 000	14 462 423			
n-curret assets	**211 088 000**	**-**	**211 088 000**	**-**	**-**	**211 088 000**	**181 691 515**	**(29 396 485)**	**-16.18%**	
vestment property	41 135 000	-	41 135 000	-	-	41 135 000	16 701 299			
operty, plant and equipment	167 472 000	-	167 472 000	-	-	167 472 000	162 256 685			
angible assets	1 290 000	-	1 290 000	-	-	1 290 000	1 542 951			
eritage assets	1 191 000	-	1 191 000	-	-	1 191 000	1 190 580			
tal assets	**226 018 000**	**1 355 000**	**227 373 000**	**-**	**-**	**227 373 000**	**228 544 759**	**1 171 759**	**0.51%**	
abilities										
urrent Liabilities	**8 726 000**	**(348 000)**	**8 378 000**	**-**	**-**	**8 378 000**	**16 529 059**	**8 151 059**	**49.31%**	This was caused by under-budgeting.
ayables from exchange transactions	5 694 000	-	5 694 000	-	-	5 694 000	14 408 248			
ayables from non-exchange transactions						-	386 296			
onsumer deposits	514 000	(348 000)	166 000			166 000	166 890			
urrent portion of provisions - employee enefits	2 433 000	-	2 433 000			2 433 000	340 269			
nspent Conditional Grants			-			-	1 142 481			
urrent portion of long term loan	85 000	-	85 000			85 000	84 876			
lon-Current liabilities	**12 281 000**	**85 000**	**12 366 000**	**-**	**-**	**12 366 000**	**23 615 622**	**11 249 622**	**47.64%**	This was caused by under-budgeting.
lon-Current Provisions - Employee Benefits	11 765 000	-	11 765 000	-	-	11 765 000	2 502 336			
lon-current portion - Long term loan	516 000	85 000	601 000			601 000	589 451			
rovisions - Landfill Site	-	-	-	-	-	-	20 523 835			
otal liabilities	**21 007 000**	**(263 000)**	**20 744 000**	**-**	**-**	**20 744 000**	**40 144 681**	**19 400 681**	**48.33%**	This was caused by under-budgeting.
ccumulated Surplus/Net assets	**205 011 000**	**1 618 000**	**206 629 000**	**-**	**-**	**206 629 000**	**188 400 078**	**(18 228 922)**	**-9.68%**	

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget
Cash flows										
Net cash from (used) operating	11 554 000	4 620 000	16 174 000			16 174 000	16 380 091		206 091	1%
Net cash from (used) investing	(15 247 000)	-	(15 247 000)			(15 247 000)	(9 379 494)		5 867 506	-38%
Net cash from (used) financing	(85 000)	4 000	(81 000)			(81 000)	(76 523)		4 477	-6%
Net increase/(decrease) in cash and cash equivalents	(3 778 000)	4 624 000	846 000	-	-	846 000	6 924 074	-	6 078 074	818%
Cash and cash equivalents at the beginning of the year	9 698 000	(2 160 000)	7 538 000			7 538 000	7 538 349		349	100%
Cash and cash equivalents at the end of the year	**5 920 000**	**2 464 000**	**8 384 000**	**-**	**-**	**8 384 000**	**14 462 423**	**-**	**6 078 423**	**173%**

Figures in Rand	2019	2018

3. Cash and cash equivalents

Cash and cash equivalent consist of:

Cash on hand	1 083	1 083
Main Bank balance	4 050 653	840 459
Short-term deposits	10 410 688	6 696 807
	14 462 423	**7 538 349**

Municipality had the following bank accounts

		Bank statement balances			Cashbook balances		
		2019	2018	2017	2019	2018	2017
Primary Bank Account	06 010 0001	4 050 653	840 456	286 147	4 050 653	840 459	286 131
MIG 16/17 -	06 850 0947 - 075	-	117 407	2 934 760	-	117 407	2 934 760
Small Town Rehabilitation	06 850 094 7 - 079	-	27 859	8 157	-	27 859	8 157
Intergrated Electrification Projects							
INEP 16/17	06 850 094 7 - 072	-	8 916	-	-	-	-
INEP17/18 & 18/19	06 850 094 7 - 085	4 626 876	1 832 998	4 654 546	4 626 876	1 841 913	4 654 545
Nguni Cattle	42 850 052 1 - 003	127 428	119 945	112 864	127 428	119 945	112 864
KZN Wildlife	06 850 094 7 - 070	749 464	705 454	663 806	749 464	705 454	663 806
VAT refund account	42 880 052 1 - 002	5 001	5 001	1 630 856	5 001	5 001	1 630 856
EPWP 16/17	06 850 094 7 - 078	384.47	427 367	329 193	384	427 367	329 193
Finance Management Grant							
FMG 16/17	06 850 094 7 - 077	(0)	27 748	26 851	(0)	27 748	26 851
FMG 17/18	06 850 094 7 - 082	1 404	377 618	-	1 404	377 618	-
Housing Projects							
Repairs 376 houses	06 850 418 7 - 001	1 715 719	1 617 789	-	1 795 449	1 693 138	2 015 256
Housing Operating account	06 850 094 7 - 033	79 730	75 349	-	-	-	-
General investments	06 850 094 7 - 030	6 889	8 256	1 423 878	6 898	8 265	1 423 887
Library Grant 16/17	06 850 094 7 - 080	2 033	279 863	8 857	2 033	279 863	8 857
Proceeds from auction	06 850 094 7 - 050	1 591 992	781 000	731 974	1 591 992	781 000	731 974
MIG 17/18	06 850 094 7 - 081	11 335	108 466	-	11 335	108 466	-
Consumer Deposits	06 850 094 7 - 084	182 486	175 762	-	182 486	175 762	-
Housing Rentals	06 850 094 7 - 094	239 554	-	-	239 554	-	-
INEP Retention	06 850 094 7 - 087	567 347	-	-	567 347	-	-
Spatial Planning	06 850 094 7 - 090	503 035	-	-	503 035	-	-
		14 461 331	**7 537 254**	**12 811 888**	**14 461 340**	**7 537 266**	**14 827 137**

Figures in Rand	2019	2018

4. Investment Property

	30 June 2019			30 June 2018		
	Cost/Valuation	Accumulated depreciation and accumulated	Carrying Value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Investment property	21 665 550	(4 964 251)	16 701 299	22 023 746	(4 828 166)	17 195 581

Reconciliation of investment property - 2019

	Opening balance	Correction	Depreciation	Carrying value
Investment property	41 703 488	(24 507 907)	(494 283)	16 701 298

Reconciliation of investment property - 2018

	Opening Balance	Depreciation	Carrying value
Investment property	42 453 113	(749 625)	41 703 488

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Property, Plant and Equipment

	30 June 2019			30 June 2018		
	Cost	Accumulated depreciaiton & impairment	Carrying value	Cost	Accumulated depreciaiton & impairment	Carrying value
Land	23 616 519		23 616 519	23 669 519	-	23 669 519
Buildings	15 254 524	(8 403 251)	6 851 273	15 626 143	(7 598 365)	8 027 778
Plant & Machinery	3 328 872	(1 886 889)	1 441 983	3 126 941	(1 671 557)	1 455 385
Furniture & Office Equipment	2 954 037	(2 090 178)	863 859	2 845 835	(1 882 798)	963 037
Motor Vehicles	5 137 868	(3 252 881)	1 884 986	5 137 868	(2 799 173)	2 338 694
Computer Equipment	1 498 658	(958 612)	540 046	1 408 807	(820 032)	588 775
Infrastructure	159 939 857	(48 229 782)	111 710 075	153 071 048	(45 153 084)	107 917 964
Community Assets	27 086 630	(11 738 687)	15 347 943	27 424 331	(10 662 506)	16 761 824
Total	**238 816 964**	**(76 560 280)**	**162 256 685**	**232 310 493**	**(70 587 515)**	**161 722 976**

Figures in Rand	2019	2018

5. Property, plant and equipment (continued)

Year Ended 30 June 2019 - Reconciliation of Property, Plant and Equipment Carrying Values/NBV

	Opening Balance	Additions	Reclassification	Disposals	Work In Progress	Other changes, movements	Depreciation	Impairment	Total
Land	23 669 519	-	-	(53 000)					23 616 519
Buildings	8 027 778	-		(237 349)			(479 594)	(459 561)	6 851 273
Plant & Machinery	1 455 385	201 930					(213 964)	(1 368)	1 441 983
Furniture & Office Equipment	963 037						(99 178)		863 859
Motor Vehicles	2 338 694	-					(453 707)		1 884 987
Computer Equipment	588 775	89 851					(133 366)	(5 214)	540 047
Infrastructure	107 917 964	2 423 925		(1 714 808)	9 841 125		(6 621 359)	(136 772)	111 710 076
Community Assets	16 761 824	-		(154 502)			(777 111)	(482 269)	15 347 942
Total	**161 722 976**	**2 715 707**	**-**	**(2 159 659)**	**9 841 125**	**-**	**(8 778 279)**	**(1 085 184)**	**162 256 686**

2

Year Ended 30 June 2019 - Reconciliation of WIP/Work In Progress

	Opening Balance	Additions	Transfers	Closing Balance
Infrastructure				
Roads and storm water infrastructure	5 727 404	6 555 585		12 282 989
Electricity infrastructure	36 071 246			36 071 246
Community Assets	4 071 918			4 071 918
Total WIP/Work In Progress	**45 870 568**	**6 555 585**	**-**	**52 426 153**

The municipality has faced challenges in completing the rural electrification project (carrying value R36 071 246). Disputes with farm owners, relating to way leaves on the privately owned land has been a stumbling block. This has contributed negatively to the rural electricity programme progress. Once connections are complete the infrastructure will be handed over to Eskom.

Funding constraints have been faced on the construction of Bensdorp Sportsfield (Carrying value of R4 071 918). When the project was initiated it was envisaged that funding will come from the Department of Sports and Recreation as well as from the Municipal Infrastructure Grant (MIG). However, the MIG funds have not materialised as yet hence the long time its taking to complete the Sportsfield.

Figures in Rand	

5. Property, plant and equipment (continued)

Year Ended 30 June 2018 - Reconciliation of Property, Plant and Equipment Carrying Values/NBV

	OpeningBalance	Additions	Reclassification	Disposals	Work In Progress	Other changes, move	Depreciation	Impairment	Total
Land	23 669 519								23 669 519
Buildings	8 628 549						(600 771)		8 027 778
Plant & Machinery	1 723 128	20 058		(7 772)			(280 029)		1 455 385
Furniture & Office Equipment	1 205 852	46 195		(21 154)			(267 856)		963 037
Motor Vehicles	2 892 501			(137)			(553 670)		2 338 694
Computer Equipment	788 492	-		(18 429)			(181 287)		588 775
Infrastructure	84 212 068	16 960 633			12 940 343		(6 195 080)		107 917 964
Community Assets	17 809 881.64						(1 044 064.43)		16 761 824
Total	**140 929 990**	**17 026 887**	**-**	**(47 492)**	**12 940 343**	**-**	**(9 122 759)**	**-**	**161 722 976**

	Opening Balance	Additions	Transfers	Closing Balance
Infrastructure				
Roads and storm water infrastructure	5 607 226	5 104 833	-	5 727 404
Electricity infrastructure	34 560 278	4 736 292		36 071 246
Community Assets	4 071 918	-	-	4 071 918
Total WIP/Work In Progress	**44 239 422**	**9 841 125**	**-**	**45 870 568**

The municipality has faced challenges in completing the rural electrification project (carrying value R36 071 246). Disputes with farm owners, relating to way leaves on the privately owned land has been a stumbling block. This has contributed negatively to the rural electricity programme progress. Once connections are complete the infrastructure will be handed over to Eskom.

Funding constraints have been faced on the construction of Bensdorp Sportsfield (Carrying value of R4 071 918). When the project was initiated it was envisaged that funding will come from the Department of Sports and Recreation as well as from the Municipal Infrastructure Grant (MIG). However, the MIG funds have not materialised as yet hence the long time its taking to complete the Sportsfield.

Figures in Rand	

6. Intangible Assets

	30 June 2019			30 June 2018		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Computer software	1 542 951	-	1 542 951	1 542 951	-	1 542 951

Reconciliation of intangible assets - 2019

	Opening Balance	Additions	Depreciation	Carrying value
Computer software	1 542 951	-	-	1 542 951

Reconciliation of intangible assets - 2018

	Opening Balance	Additions	Depreciation	Carrying value
Computer software	1 542 951	-	-	1 542 951

7. Heritage Assets

	30 JUNE 2019			30 JUNE 2018		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Heritage Assets - Historical buildings	1 490 000	(299 419)	1 190 580	1 490 000	(299 419)	1 190 580

Reconciliation of heritage assets - 2019

	Opening Balance	Depreciation	Carrying value
Heritage Assets - Historical buildings	1 190 580	-	1 190 580

Reconciliation of heritage assets - 2018

	Opening Balance	Depreciation	Carrying value
Heritage Assets - Historical buildings	1 190 581	-	1 190 581

Figures in Rand	2019	2018

8. Receivables from exchange transactions

Gross balances

Electricity	7 540 757	10 578 571
Refuse	2 735 166	2 444 874
Sundry debtors	1 491 090	1 261 175
Other debtors	55 114	55 114
	11 822 127	**14 339 734**

Less: Allowance for impairment

Electricity	(2 023 012)	(1 802 722)
Refuse	(1 429 430)	(1 170 227)
Sundry debtors	(778 313)	(675 860)
	(4 230 756)	**(3 648 809)**

Net balance

Electricity	5 517 745	8 775 849
Refuse	1 305 735	1 274 646
Sundry debtors	712 777	585 315
Other debtors	55 114	55 114
	7 591 371	**10 690 924**

Aging per service

Electricity

Current (0-30 days)	1 237 707	1 187 708
31 - 60 days	(122)	90
61 - 90 days	385 600	326 209
91 - 120 days	314 605	187 809
121 to more than 365	5 602 970	8 876 755
	7 540 759	**10 578 572**

Refuse

Current (0-30 days)	25 411	204 408
31 - 60 days	(7 223)	358
61 - 90 days	85 451	69 927
91 - 120 days	80 103	63 218
121 to more than 365	2 551 423	2 106 963
	2 735 166	**2 444 874**

Figures in Rand	2019	2018

8. Receivables from exchange transactions (continued)

Sundry debtors		
Current (0-30 days)	79 495	48 399
31 - 60 days	2 604	0
61 - 90 days	27 436	13 040
91 - 120 days	52 269	9 677
121 to more than 365	2 022 847	1 183 329
	2 184 650	**1 254 445**
AGING PER CUSTOMER CLASSIFICATION		
Electricity		
Organs of State	3 307 878.00	6 852 461
Commercial	1 232 947.00	848 519
Households	527 492.00	516 078
Other	2 119 910.00	2 361 513
	7 188 227	**10 578 571**
Organs of State		
Current (0-30 days)	680 640	352 363
31 - 60 days	9 577	278 725
61 - 90 days	226 945	184 836
91 - 120 days	239 307	90 512
121 to more than 365	2 230 434	5 945 724
	3 386 904	**6 852 461**
Commercial		
Current (0-30 days)	368 523	204 820
31 - 60 days	-	66 589
61 - 90 days	41 700	49 410
91 - 120 days	23 818	32 342
121 to more than 365	798 908	495 358
	1 232 949	**848 519**
Households		
Current (0-30 days)	120 715	102 268
31 - 60 days	(1 253)	25 750
61 - 90 days	15 145	15 575
91 - 120 days	16 352	1 087
121 to more than 365	376 534	371 398
	527 493	**516 078**

Figures in Rand	2019	2018

8. Receivables from exchange transactions (continued)

Other		
Current (0-30 days)	122 433	82 210
31 - 60 days	(76)	74 772
61 - 90 days	42 933	76 388
91 - 120 days	44 024	61 968
121 to more than 365	2 130 944	2 066 175
	2 340 256	**2 361 513**
Refuse		
Organs of State	157 297	152 090
Commercial	103 182	82 420
Households	1 303 075	1 351 576
Other	1 126 310	858 789
	2 689 864	**2 444 874**
Organs of State		
Current (0-30 days)	147 387	4 448
31 - 60 days	(1 237)	3 563
61 - 90 days	850	3 207
91 - 120 days	38	3 028
121 to more than 365	51 935	137 842
	198 973	**152 090**
Commercial		
Current (0-30 days)	16 450	9 822
31 - 60 days	(300)	5 162
61 - 90 days	4 383	3 647
91 - 120 days	3 673	2 826
121 to more than 365	68 976	60 964
	93 182	**82 420**
Households		
Current (0-30 days)	(202 122)	69 872
31 - 60 days	(3 695)	44 613
61 - 90 days	48 233	35 302
91 - 120 days	45 979	29 659
121 to more than 365	1 414 680	1 172 130
	1 303 075	**1 351 576**

Figures in Rand	2019	2018

8. Receivables from exchange transactions (continued)

Other		
Current (0-30 days)	64 991	35 716
31 - 60 days	(666)	31 570
61 - 90 days	32 455	27 771
91 - 120 days	32 820	27 805
121 to more than 365	1 005 131	735 927
	1 134 730	**858 789**
Sundry debtors		
Organs of State	51 860	56 390
Commercial	373 255	369 520
Households	419 365	358 716
Other	532 640	469 820
	1 377 120	**1 254 446**
Organ of state		
Current (0-30 days)	55	3 000
31 - 60 days	25	-
61 - 90 days	225	-
91 - 120 days		-
121 to more than 365	70 364	53 390
	70 669	**56 390**
Commercial		
Current (0-30 days)	-	3 201
31 - 60 days	-	2 647
61 - 90 days	-	2 800
91 - 120 days	-	2 800
121 to more than 365	287 336	358 071
	287 336	**369 519**
Households		
Current (0-30 days)	-	12 470
31 - 60 days	-	6 866
61 - 90 days	-	7 765
91 - 120 days	-	4 902
121 to more than 365	58 226	326 713
	58 226	**358 716**

Figures in Rand	2019	2018

8. Receivables from exchange transactions (continued)

Other

Current (0-30 days)	55	18 030
31 - 60 days	25	2 030
61 - 90 days	225	2 475
91 - 120 days	1 935	1 975
121 to more than 365	278 102	445 311
	280 342	**469 820**

Reconciliation of allowance for impairment

Balance at the beginning of the year	**3 648 809**	3 073 998
Contribution to allowance	1 984 842	574 811
Debt written off	(1 402 896)	-
	4 230 755	**3 648 809**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

9. Receivables from non-exchange transactions

Gross balances

Rates	26 902 551	22 669 320
Traffic Fines	1 295 830	908 086
	28 198 381	**23 577 407**

Less: Allowance for impairment

Rates	(9 407 602)	(9 407 651)
Traffic Fines	(1 237 560)	(645 924)
	(10 645 162)	**(10 053 575)**

Net balance

Rates	17 494 949	13 261 669
Traffic Fines	58 269	262 163
	17 553 218	**13 523 832**

Figures in Rand	2019	2018

9. Receivables from non-exchange transactions (continued)

Aging per service

Rates

Current (0-30 days)	530 417	16 798
31 - 60 days	(329)	15 808
61 - 90 days	(4 979)	9 720
91 - 120 days	(9 088)	3 589
121 to more than 365	68 636	351 151
	584 657	**397 066**

Fines

Current (0-30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 to more than 365	1 295 830	908 086
	1 295 830	**908 086**

Reconciliation of allowance for impairment

Balance at the beginning of the year	(9 407 651)	(14 232 563)
Contribution to allowance	-	4 824 912
Debt written off		
	(9 407 651)	**(9 407 651)**
Impairment exchange transaction	-	(3 648 809)
Impairment non-exchange transaction	(9 407 651)	(9 407 651)
	(9 407 651)	**(13 056 460)**

AGING PER CUSTOMER CLASSIFICATION

Property rates

Organs of State	6 359 391	5 156 326
Commercial	988 438	758 788
Households	2 886 985	3 470 231
Other	15 113 526	13 283 975
	25 348 340	**22 669 320**

Organs of State

Current (0-30 days)	1 090 329	285 446
31 - 60 days	(2 477)	124 540
61 - 90 days	4 824	121 930
91 - 120 days	207 678	119 801
121 to more than 365	5 368 408	4 504 609
	6 668 761	**5 156 326**

Commercial

Current (0-30 days)	198 671	89 021
31 - 60 days	(300)	39 132
61 - 90 days	45 938	31 997
91 - 120 days	28 756	20 454
121 to more than 365	715 374	578 183
	988 439	**758 788**

Figures in Rand	2019	2018

9. Receivables from non-exchange transactions (continued)

Households		
Current (0-30 days)	(667 033)	180 040
31 - 60 days	(8 916)	94 439
61 - 90 days	93 454	64 362
91 - 120 days	81 985	51 717
121 to more than 365	3 337 995	3 079 673
	2 837 485	**3 470 231**
Other		
Current (0-30 days)	957 652	286 351
31 - 60 days	(986)	265 163
61 - 90 days	466 031	248 338
91 - 120 days	458 031	244 127
121 to more than 365	13 507 193	12 238 458
	15 387 921	**13 282 437**

10 VAT Receivables

Refund from SARS	6 871 446	**5 167 167**
	6 871 446	**5 167 167**

11. Financial Asset

Fixed deposit account - 06 850 094 7 - 083	**374 786**	**348 072**

This is a surety for the DBSA loan in accordance with the terms of the loan agreement the FV of the loan is R674 327.57 (2018/19: R750 851)

12. Payables from exchange transactions

Trade payables	3 897 688	6 212 498
Direct deposits, third parties and other	1 576 539	1 321 019
Deposits received	28 269	26 778
Retention liability	5 991 853	5 729 388
Leave pay accrual	2 054 340	2 119 426
Credit balances receivables from exchange transactions	859 558	548 027
	14 408 248	**15 957 136**

13. Payables from non-exchange transactions

Credit balances receivables from non-exchange transactions	386 296	397 066
	386 296	**397 066**

14. Consumer deposits

Electricity debtors	**166 890**	**165 705**

Figures in Rand	2019	2018

15. Employee benefit obligation

Long Service Award
A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on the actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2019 by ONE PANGAEA EXPERTISE & SOLUTIONS, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 95 2019 employees (2019, 100 employees) were eligible for long-service awards.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.18%
CPI (Consumer Price Index)	4.92%
Salary increase rate	5.92%
Net discount rate	2.13%

Examples of mortality rates used were as follows:	
Average retirement age	65
Mortality during employment	SA85-90

Health Care Benefits

The Municipality provides certain post-retirement health care benefits by funding the medical aid contribution of specific retired members of the municipality, no other retirees are entitled to this benefit. According to the rules of the Medical Aid Fund with which the municipality is associated, a member is entitled to remain a continued member of such a medical fund on retirement and the municipality is liable for certain portion of the medical aid membership fee. The municipality operates an unfunded benefit plan for these specific retirees. No other post-retirement benefits are provided to these retirees.

The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2019 by ONE PANGAEA EXPERTISE & SOLUTIONS, a member of Actuarial Society of South Africa. The present value of the defined obligation, and related current service cost and past service cost were measured using the projected unit credit method. No other post retirement medical benefits are provided by the municipality.

Key assumptions used
Discount rate and et effective discount rate - Yield curve and yield curve based respectively
CPI (Consumer Price Index)

Assumptions used at the reporting date

Discount rates used	8.42%
Net discount rate	1.74%
Expected increase in health costs	6.57%
Consumer price index	5.07%

Fully accrued retirement age	63
Normal retirement age	65

Mortality rate before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been used on the PA (90) ultimate mortality tables.

Figures in Rand	2019	2018

15. Employee benefit obligation (continued)

The amounts recognised in the Statement of Financial Position were determined as follows:

Carrying value		
Opening balance	2 730 349	2 412 350
Current service cost	112 000	82 000
Interest cost	234 000	202 000
Benefits paid	(257 000)	(214 001)
Actuarial gain/loss	23 256	248 000
	2 842 605	**2 730 349**
Non- current liability	2 502 336	2 473 349
Current liability	340 269	257 000
	2 842 605	**2 730 349**
Health Care benefits		
Opening balance	1 615 878	1 490 971
Interest cost	139 000	126 000
Benefits paid	(164 000)	(162 093)
Actuarial gain/loss	(13 540)	161 000
	1 577 338	**1 615 878**
Long service award		
Opening balance	1 114 470	921 379
Current service cost	112 000	82 000
Interest cost	95 000	76 000
Benefits paid	(93 000)	(51 909)
Actuarial gain/loss	36 796	87 000
	1 265 266	**1 114 470**
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	112 000	82 000
Interest cost	234 000	202 000
Actuarial (gains)/losses	23 256	248 000
Total Employee Benefit included in Employee Related Costs	**369 256**	**532 000**
Health Care Benefits		
Interest cost	139 000	126 000
Actuarial (gains)/losses	(13 540)	161 000
	125 460	**287 000**
Long Service Award		
Current service cost	112 000	82 000
Interest cost	95 000	76 000
Actuarial (gains)/losses	36 796	87 000
	243 796	**245 000**

Figures in Rand	2019	2018

16. Unspent Conditional Grants

Repair of 376 Houses	664 485	664 485
FMG Grant	7	7
INEG	484	484
Spatial Planning Grant	477 506	-
Small Town Rehabilitation	-	4 073
	1 142 481	**669 048**

Movement of grants is disclosed in note 21

These amounts are invested in a ring fenced investment until utilised. All grants are cash backed refer to Note 7.

Unspent conditional grants are made up of (i)the Integrated national Electrification Programme (INEP) grant, (ii) the 376 Houses from Disaster Storm Fund and (iii) Spatial Planning grant.

The condition for INEP grant is specific for the installation of electricity infrastructure to reduce backlog on houses that are not electrified. Minimum size supply is 1.2KVA after Diversity Maximum Demand (ADMD), 20 AMP per household connection.

The 376 houses was initially earmarked for the relief to the households affected by a disaster, subsequently permission was granted to use the funds for renovation.

In terms of the Spatial Planning and Land use Management Act, a Municipality must develop a Land Use Scheme to guide and manage development in the municipal area.

17. Long term loan

DBSA Loan	**674 328**	**750 851**
Current portion of long-term loan	84 876	76 523
Long-term portion of loan	589 451	674 328
	674 328	**750 851**

The municipality acquired a loan from the Development Bank of Southern Africa (DBSA) to fund the construction of municipal main offices. The term of the loan is 20 years. Interest charged is 10.81% per annum payable every half yearly.

18. Provisions

Provision staff salary	-	468 601
Rehabilitation of landfill site	20 523 835	19 067 994
	20 523 835	**19 536 595**

Reconciliation of provisions for rehabilitation of landfill site

Opening balance	19 067 994	8 382 892
Contribution to provision	1 455 841	10 685 102
Closing balance	**20 523 835**	**19 067 994**

The provision is raised for the rehabilitation of waste disposal site to its original state once the site has reached the end of the useful life.

Figures in Rand	2019	2018
19. Revenue from exchange transactions		
Service charges	15 264 312	13 961 297
Rental of facilities and equipment	1 163 721	1 050 072
Licences and permits	1 072 710	855 882
Sale of goods	429 489	427 645
Interest received - investment	1 201 428	1 141 783
Operational revenue	124 571	488 330.03
	19 256 231	**17 925 010**
Revenue from non-exchange transactions		
Fines, penalties and forfeits	406 722	303 585
Interest on late payments - property rates	2 457 568	2 150 528
Property rates	19 962 860	15 180 103
Transfers and subsidies	46 583 999	48 719 967
	69 411 148	**66 354 183**
TOTAL REVENUE	**88 667 379**	**84 279 193**
20. Property rates		
Property rates billed	22 025 367	16 638 634
Less: Income forgone	2 062 507	1 458 530
	19 962 860	**15 180 103**
Valuations		
Residential	416 310 000	284 437 000
Commercial	47 771 000	38 483 000
State	133 116 000	145 673 000
Municipal	79 434 000	48 005 000
Smallholdings and farms	2 909 639 000	1 646 975 000
Public Service Infrastructure	106 648 000	31 135 000
Schools (Private and Estate)	116 412 000	47 173 000
Land reform property	21 615 000	214 006 000
Other (PBO, Public worship, Vacant etc)	15 134 000	26 063 000
	3 846 079 000	**2 481 950 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2019	2018

21. Transfers and subsidies

Small town rehabilitation grant	**4 073**	995 927
New establishment and operational - Library	**1 035 000**	771 000
Energy efficiency and demand	**6 000 000**	12 000 000
Expanded Public Works Programme (EPWP)	**1 000 000**	1 000 000
Finance Management Grant (FMG)	**1 970 000**	1 900 000
Municipal Infrastructure Grant (MIG)	**9 247 000**	6 423 000
Equitable Share	**27 305 000**	25 391 000
Repair of 376 Houses	-	239 040
Spatial Planning Grant	**22 494**	-
Library	**431**	-
	46 583 998	**48 719 967**

Conditional and Unconditional Grants		
Conditional Grants	19 278 998	23 328 967
Unconditional Grants	27 305 000	25 391 000
	46 583 998	**48 719 967**

Movement of conditional grants		
Town Planning grant		
Opening balance	4 073	-
Current year's receipts	-	1 000 000
Current year expenses recognised as revenue	(4 073)	(995 927)
Unspent conditional grant	**0**	**4 073**

Movement of conditional grants		
Library	-	-
Opening balance	431	-
Current year's receipts	(431)	-
Current year expenses recognised as revenue	**0**	-
Unspent conditional grant		

Energy efficiency and demand	484	5 314 484
Opening balance	6 000 000	12 000 000
Current year's receipts	(6 000 000)	(12 000 000)
Current year expenses recognised as revenue	-	(5 314 000)
Withheld from Equitable share	**484**	**484**
Unspent conditional grant		

Repair of 376 Houses	664 485	903 525
Opening balance	-	-
Current year's receipts	-	(239 040)
Current year expenses recognised as revenue	**664 485**	**664 485**
Unspent conditional grant		

Library grant	-	-
Opening balance	1 035 000	771 000
Current year's receipts	(1 035 000)	(771 000)
Current year expenses recognised as revenue	-	-
Unspent conditional grant		

Figures in Rand	2019	2018
21. Transfers and subsidies (continued)		
MIG	-	-
Opening balance	9 247 000	6 423 000
Current year's receipts	(9 247 000)	(6 423 000)
Current year expenses recognised as revenue	-	-
Unspent conditional grant		
EPWP	-	-
Opening balance	1 000 000	1 000 000
Current year's receipts	(1 000 000)	(1 000 000)
Current year expenses recognised as revenue	-	-
Unspent conditional grant		
FMG	-	-
Opening balance	1 970 000	1 900 000
Current year's receipts	(1 970 000)	(1 900 000)
Current year expenses recognised as revenue	-	-
Unspent conditional grant		
Spatial Planning Grant	-	-
Opening balance	500 000	-
Current year's receipts	(22 494)	-
Current year expenses recognised as revenue	**477 506**	-
Unspent conditional grant		
22. Services charges	12 937 860	12 565 175
Electricity	1 506 247	1 396 122
Refuse	**14 444 107**	**13 961 297**
23. Rental of facilities		
Non-market related	**1 163 721**	**1 050 072**
Ad-hoc rentals		
24. Licences or permits	135 181	94 106
Game	1 000	611
Trading	936 529	761 166
Transport	566 073	435 268
Drivers licence certificate	144 995	128 401
Leaner licence application	138 364	133 594
Motor vehicle licence	87 097	63 902
Operators and public drivers permit	**1 072 710**	**855 882**

Figures in Rand	2019	2018
25. Sale of goods and rendering of services		
Consumables	104 622	84 578
Sub-division and consolidation fees	8 085	15 224
Agricultural - fresh farm produce (animals)	-	87
Tender documents	91 661	58 263
Building plans	13 233	61 925
Camping fees	122 239	120 412
Cemetery and burial	33 192	29 776
Clearance certificates	15 396	6 111
Entrance fees	37 857	48 608
Escort fees	1 323	314
Health services	522	120
Photocopies and faxes	1 291	2 227
Valuation Services	68	-
	429 489	**427 645**
26. Interest on investment		
Short-term deposits	1 201 428	1 141 783
Fair value adjustment	-	-
	1 201 428	**1 141 783**
27. Operational revenue		
Administrative and handling fees	184 623	106 124
Breakages and losses recovered	821	1 200
Insurance refund	-	4 737
Agency fees	(60 873)	376 269
	124 571	**488 330**
28. Employee related costs		
Basic Salary	24 260 106	25 702 433
Acting and Post Related Allowance	-	119 241
Cellular and Telephone	28 800	20 000
Bonus	1 430 698	1 396 055
Bargain Council	511 786	512 905
Group life insurance	4 597	41 138
Medical Aid Contribution	740 199	735 176
Pension Contribution	2 396 080	2 155 074
Unemployment Insurance Fund	175 288	183 279
Housing Benefits	157 688	106 325
Standby Allowance	619 200	125 344
Overtime payments	499 144	503 787
Travel or motor vehicle	306 129	351 925
Actuarial gain/loss	355 900	213 000
Interest cost	23 256	319 000
	31 508 872	**32 484 683**

Figures in Rand	2019	2018

28. Employee related costs (continued)

Remuneration of Municipal Manager

Annual remuneration	1 033 127	1 014 261
	1 033 127	**1 014 261**

Remuneration of Chief Financial Officer

Annual remuneration	781 460	1 026 994
Phone allowance	9 600	7 200
	791 060	**1 034 194**

Remuneration of Director Corporate Services

Annual remuneration	766 432	779 047
Phone allowance	9 600	9 600
	776 032	**788 647**

Remuneration of Director Community Services

Annual remuneration	185 356	779 047
Phone allowance	-	9 600
	185 356	**788 647**

The contract of Director Community Services ended in September 2018 and the department was splitted into Corporate Services and Infrastructure, Planning and Development departments.

Remuneration of Director Development Planning (Technical Services)

Annual remuneration	781 460	600 641
Phone Allowance	9 600	7 150
	791 060	**607 791**

There is an Acting Director Infrastructure, Planning and Development because the appointed employee is on paid suspension.

Remuneration of Acting Director Development Planning (Technical Services)

Annual remuneration	164 766	600 641
Phone Allowance	-	7 150
	164 766	**607 791**

All Sec 56 employees are not entitled to any other allowances or benefits, other than phone allowance and performance bonuses are paid on meeting specific requirements.

Figures in Rand	2019	2018

29. Councillors remuneration

Basic Salary	3 447 043	2 934 452
Cellphone	121 200	250 800
	3 568 243	**3 185 252**
Mayor	462 684	415 021
Deputy Mayor	376 207	336 576
Speaker	376 207	336 576
Executive Committee Member	354 589	316 966
Other Councillors	1 998 556	1 780 113
	3 568 243	**3 185 252**

The allowances and benefits of councillors of eMadlangeni Local Municipality for the year under review were paid in terms of Government Gazette 42134 (Upper limits of remuneration of public office bearers)

In-kind benefits
The Mayor is part-time and is provided with an office and secretarial support at the cost of the Council and has the use of Council owned vehicle for official duties and two drivers.

30. Depreciation and amortisation

Depreciation	10 250 036	9 486 186
	10 250 036	**9 486 186**

31. Contracted services

Consultants and professional services		
Legal advice and litigation	556 331	575 968
Accounting and auditing	907 132	1 531 576
Audit Committee	188 631	83 346
Contractors		
Catering	186 719	194 044
Electrical	207 298	135 022
Event promoters	10 000	10 000
Maintenance of unspecified assets	2 937 715	1 697 070
Maintenance of buildings and facilities	235 386	264 111
Maintenance of equipments	13 849	47 062
Medical services	5 960	4 869
Pest control and fumigation	4 000	2 995
Security services	2 181 200	1 924 610
Transport services	164 200	111 377
Inspection fees	-	2 064
Sports and Recreation	19 000	
Outsourced services		
Animal care	-	1 803
Professional staff	505 320	152 965
Valuer and Assessor	123 348	498 047
Traffic and street lights	46 159	47 233
Burial Services	5 200	-
	8 297 447	**7 284 161**

Figures in Rand	2019	2018
32. Inventory consumed		
Material and supplies	823 814	326 565
Standard rated	176 635	186 038
Zero rated	1 032 120	635 077
Agricultural	1 996	-
	2 034 564	**1 147 681**
33. Operational cost		
External audit fees	2 031 029	1 552 967
Firearm handling fees	3 096	11 613
Levies paid - Water Resource Management	222 546	549 348
Printing, publication and books	58 236	141 010
Professional Bodies	5 266	-
Remuneration to ward committees	541 600	556 800
Seating Allowance for Traditional Leaders	72 000	72 000
Skills Development Levy	273 570	192 353
Uniform and Protective Clothing	475 684	194 768
Bursaries non-employees	8 601	43 500
Gifts and promotional items	19 205	9 348
Municipal news letter	-	26 316
Staff recruitment	47 584	18 622
Bank accounts	154 120	176 148
Long and short term loans and bonds	106 213	144 739
Cellular contracts (subscriptions)	176 189	771 951
Licences (Radio and television)	230	6 760
Rent private bag and postal box	-	789
Telephone installation	79 608	144 464
Telephone and fax	259 506	259 466
Councillors	8 822	20 950
Senior management	3 896	1 340
Premiums	129 911	1 770 677
Motor vehicle licence and registrations	47 347	20 402
Prepaid electricity	48 614	66 086
National	298 531	298 843
Accommodation	494 247	325 640
Daily allowance	138 464	200 369
Food and beverage	134 336	50 468
Incident Cost	29 179	33 093
Other transport provider	44 480	105 815
Car rental	-	15 410
Own transport	248 472	314 001
Toll gate fees	403	855
Corporate and Municipal Activities	6 200	30 342
Contribution to landfill site	1 455 841	-
Contribution to debt impairment	1 937 763	(4 034 549)
Contribution to leave accrual	-	350 235
Rental of Post box	896	-
Excess payment	250 487	-
Entrance Fees	**507**	
Learnerships and Internships	359 265	-
Postage stamps	701	-
	10 172 645	**4 442 940**

Figures in Rand	2019	2018

34. Operating lease

Operating lease payments	**85 166**	**22 462**

Municipality leased photocopiers from Newcastle Office up to May 2019, a new appointed service provider has 36 month contract.

Operating lease as lessor

The municipality has low cost houses and flats that are leased to the public and staff. Lease rentals are based on a percentage of the lessee's income levels or on a rate below market value. These leases are cancellable at anytime by either party provided that one's month notice is given and there is no fixed lease period. The related properties are included in property, plant and equipment.

35. Cash generated from operations

Surplus/Loss for the year	7 366 763	14 675 208
Adjustment for:		
Depreciation and amortisation	**9 157 395**	**9 492 037**
Impairment loss	(1 402 896)	(2 319 635)
Debt impairment	(2 096 786)	(5 497 012)
Contribution to provision for employment benefits	(2 009 312)	**882 235**
Contribution to provision for landfill site	1 455 841	10 685 102
Contribution to provisions - staff salary	468 601	468 601
Cash payment GRAP 25	-	
Non-cash transactions	-	(177 747)
Non-cash deemed cost - additions	(339 964)	(3 583 237)
Scrapped assets	2 092 407	46 165
Changes in working capital:		
Trade and other receivables from exchange	(3 099 553)	(736 655)
Trade and other receivables from non exchange transactions	4 029 387	(8 299 812)
Vat Receivable	1 704 279	754 521
Financial asset	26 714	(26 460)
Payables from exchange transactions	(1 548 888)	1 137 880
Payables from non-exchange transactions	(10 771)	(252 243)
Unspent conditional grant	473 433	(5 548 967)
Consumer deposits	1 185	-
Post employment benefit movements	112 256	317 999
Taxes and transfers payable (non-exchange)	-	-
Net cashflow from operating activities	**16 380 091**	**12 017 978**

Figures in Rand	2019	2018

36. Financial instruments disclosure

The accounting policies for financial instruments have been applied to the line items below:

Financial assets category		
Receivables from exchange transactions	7 591 371	10 690 924
Receivables from non exchange transactions	17 553 218	13 523 832
Financial Asset	374 786	348 072
Cash and cash equivalents	14 462 423	7 538 349
	39 981 799	**32 101 177**
Financial liabilities category		
Payables from exchange transactions	14 408 248	15 957 136
Payables from non-exchange transactions	386 296	397 066
Consumer deposits	166 890	165 705
Unspent Conditional Grants	1 142 481	669 048
Current portion of long term loan	84 876	76 523
	16 188 790	**17 265 479**

37. Commitments

Authorised capital expenditure		
Approved and contracted for		
Capital		
Property, plant and equipment and electrification projects	**3 723 022**	**5 375 216**
Approved and not contracted for		
Capital		
Property, plant and equipment and electrification projects	-	-
Total commitments		
Approved and contracted for		5 375 216
Approved and not contracted for	-	
	-	**5 375 216**

Total commitments are inclusive of VAT.

38. Contingent liabilities

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the municipality has a strong defence. Should the litigation and claims against the municipality be successful the total estimated liability of all cases is approximately R 8 850 622.29 (2018/2019)

39. Related parties

No related party relationship or transactions existed during the year.

Figures in Rand	2019	2018

40. Risk management

Maximum credit risk exposure
Credit risk consists mainly of cash deposits, cash and cash equivalents and trade debtors. The only cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Otherwise, if there is no financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

Liquidity risk
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk
As municipality has no significant interest-bearing assets, the municipality's income and operating cashflows are substantially independent of changes in market interest rates.

41. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Events after the reporting date

There are no events after reporting date.

43. Unauthorised expenditure

Opening balance	33 559 515	11 673 382
Additions for the year	7 546 837	21 886 133
	41 106 352	**33 559 515**

The expenditure was due to over-spending on the budget line items but the overall expenditure was within the approved budget.

44. Fruitless and wasteful expenditure

Opening balance	216 075	192 738
Less: fruitless and wasteful expenditure duplicately disclosedd in 2(	(15 147)	-
Less: irregular expenditure errorly disclosed as fruitless and wastef	(40 799)	-
Add: fruitless and wasteful expenditure	2 163	23 337
	162 291	**216 075**

Fruitless and wasteful expenditure is caused by interest incurred on late payments.

45. Irregular expenditure

Opening balance	57 718 346	50 408 180
Add: Irregular expenditure incurred in the current year	1 676 087	7 310 166
Add: Irregular expenditure errorly disclosed as fruitless and wastefu	40 799	-
Less: irregular expenditure duplicately disclosedd in 2017/2018	(140 290)	-
	59 294 942	**57 718 346**

Figures in Rand		2019	2018
45. Irregular expenditure (continued)			
Details of irregular expenditure			
SCM Process not followed	No disciplinary steps taken or criminal proceedings		612 668
Extension of scope of contractors not in line with	No disciplinary steps taken or criminal proceedings		1 036 806
Irregular expenditure SCM process partially follov	No disciplinary steps taken or criminal proceedings		26 613
			1 676 087

46. Deviations from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The aforesaid deviations for 18/19 amounted to R 1 325 631.69 (2017/18 R613 504.36). These were also reported to the Council.

47. Reconciliation between budget and statement of financial performance

The budget is approved on an accrual basis and it covers period from 1 July 2018 to 30 June 2019. The budget and accounting basis are the same therefore financial statement and budget are on comparable basis and a reconciliation is not necessary.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government		
Current year subscription	500 000	500 000
Amount paid current year	(500 000)	(500 000)
	-	-
Auditors remuneration - AGSA		
Opening balance	4 793	6 072
Current year subscription	2 335 683	1 770 480
Amount paid current year	(2 340 476)	(1 771 759)
	0	**4 793**
PAYE		
Opening balance	26 078	26 078
Current year subscription	4 799 190	4 677 049
Amount paid current year	(4 799 190)	(4 677 049)
	26 078	**26 078**

Figures in Rand	2019	2018

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

UIF

Opening balance	342 575	368 047
Current year subscription	(342 575)	(368 047)
Amount paid current year	-	(0)

Councillor's arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at June 2019.

30 June 2019	Outstanding more than 90 days R	Total R
Councillor T.S. Buthelezi	1 912	1 912

49. Electricity losses

Electricity losses in units (kWH) lost in distribution		
Electricity units (kWh) purchased	12 666 378	12 526 589
Electricity units (kWh) sold	(9 123 927)	(8 766 269)
	3 542 451	**3 760 320**
Electricity losses in rands lost in distribution		
Electricity purchased	12 422 600	11 484 887
Electricity sold	13 758 404	12 788 694
	(1 335 805)	**(1 303 807)**

Electricity losses for the period under review is 28% (2018/2019)

These losses are attributable to electricity within the aging and archaic electricity network infrastructure and illegal connections.

50. Biological assets

eMadlangeni Municipality Game Parks' main purpose is the conservation of a representative system of biodiversity encompassing fauna, flora and unique scenery within the Game Park. The Municipality does not manage the Game Park for the reproduction of biodiversity and significant sources of revenue comprise of tourism in the form of accommodation, game viewing and hunting fees. The municipality is involved in biological transformation of fauna and flora primarily as a service to the community for the purpose of recreational activity rather than for sale.

Biological assets are not recognised in the statement of financial position as their fair value or cost of the biological assets cannot be measured reliably due to nature. Quantities of biological assets cannot easily be ascertained as the municipality cannot keep up with births, deaths and migrations of wildlife as dictated by seasonal and other environmental factors. However, the municipality conducts aerial game counts from time to time.

Figures in Rand	2019	2018

50. Biological assets (continued)

As at 30 June 2019 the estimated number of biological assets are as follows: 822(2018/2019)

Movements of species 2018/2019	**881**	**1 012**
Opening balance	5	(18)
Blesbok	(16)	(47)
Blue wildebeest	-	-
Mount reedbuck	(11)	(5)
Plain zebra	(15)	
Red hartebeest	(3)	(4)
Waterbuck	-	-
Eland	(15)	(37)
Impala	(3)	
Giraffes		(14)
Warthog		
Grey duiker	-	(4)
Nyala		
Bushbuck	(1)	(2)
Kudu	**822**	**881**
Closing balance		

51. Correction of the prior year error

51.1 Accumulated surplus	**171 376 282**
Balance as at end of June 2018	7 337 399
Assets	**178 713 681**
Restated balance	
51.2 Buildings	10 369 863
Balance as at end of June 2018	(2 342 085)
Correction of the prior year error	**8 027 778**
Restated balance	
51.3 Investment Property	**41 703 488**
Balance as at end of June 2018	(24 507 908)
Correction of the prior year error	**17 195 581**
Restated balance	